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This Week in Canadian Agriculture, Issue 4
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Report Highlights:
Hawaiian Papaya Exports to Canada Set to Expand * CFIA Proposes Changes to Food Label and Advertising Rules * Firms Ramp up Production to Lower Costs in Light of Lumber Duties * Canadian, U.S. Unions Join to Plan End Softwood Lumber Dispute
* Canadians Claim Softwood Lumber Duties Are Backfiring * Clearfield Wheat Receives Registration * Canadian Dry Bean Exports Held up at Mexican Border * Sign or You're Out of Luck, Vanclief Tells Provinces

... and MORE!

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

HAWAIIAN PAPAYA EXPORTS TO CANADA SET TO EXPAND FOLLOWING APPROVAL OF GM VARIETIES BY HEALTH CANADA: The Hawaii Papaya Industry Association (HPIA) announced this week that Health Canada has approved export of virus resistant transgenic varieties of papaya to Canada. Delan Perry, HPIA President says, "This approval will open up an important market to the popular Rainbow and Sunup papayas. We are very happy that these varieties which have been available to consumers in the United States since 1998, will now join Kapoho and Sunrise varieties in the Canadian market. The approval is the result of a strong collaboration between industry people and university researchers, and proves that GMO development is not only the monopoly of big corporations," said Emerson Llantero, former Papaya Administrative Committee manager. The Canadian market which had traditionally received about 8% of Hawaii's papaya production, has declined due to the unavailability of non-transgenic papayas. The primary reason for the decline has been the continuing presence of Papaya Ringspot Virus in most growing areas. Puna grower Orlando Manuel says " Now that the Canadian government has approved Rainbow, I can plan to expand production. We can use that market." Tai Wang, President of Superfoods, a large papaya exporter says "This is very good news for growers. Canadian exports have been one third of a few years ago, and now we can recapture that market. Canadian consumers will have more choices now.'

CFIA PROPOSES CHANGES TO LABEL AND ADVERTISING RULES RELATED TO HIGHLIGHTED FOOD INGREDIENTS: Canada's Food Inspection Agency has published a discussion paper on the highlighted Ingredients and Flavors in Food and is proposing amendments to the Canada's Food and Drug Regulations to clarify labeling and advertising rules related to the highlighting or emphasizing of ingredients or components, flavors, and sensory characteristics (such as texture and taste) that use ingredient names as adjectives (such as creamy or juicy). The Agency is proposing that when ingredients are highlighted (whether high or low amount) a percentage of the ingredient must be declared either on the front panel or ingredients list; that when the highlighted ingredient is a flavor or an artificial flavor, it is proposing the word(s) "flavor" or "artificial flavor" must appear adjacent to the named flavor, for example: "strawberry flavor" or "artificial strawberry flavor"; that when an ingredient or component name is used to describe a sensory characteristic of a food, it is proposed that the specific characteristic must be stated adjacent to the description, for example: "creamy texture". A major proponent of the regulatory action is the Canadian chapter of the Center for Science in the Public Interest, a North American non-profit, consumer health organization based in Washington, D.C., with offices in Ottawa and Toronto which is lobbying the CFIA for what it calls "more truthful food labeling practices" by manufacturers. The CFIA is soliciting public comments until March 20, 2003. Any forthcoming regulatory changes would also apply to imported foods. The full text of the discussion paper is available at: http://www.inspection.gc.ca/english/bureau/inform/20030116dise.shtml

WORLDCOM TO SELL CANADA'S LARGEST CATTLE RANCH: Recent stories in the farm press claim that bankrupt U.S. communications giant WorldCom has put the Douglas Lake Ranch up for sale. The 114-year-old, 500,000-acre ranch, located in the Nicola Valley southeast of Kamloops, B.C., is the largest privately owned ranch in Canada and reportedly one of the largest such ranches in the world. The ranch handles up to 22,250 head of cattle, grows feed on 5,000 acres and also includes fishing, logging and recreational components. Sale price estimates are in the C$100 million range (US$65 million).

FIRMS RAMP UP PRODUCTION TO LOWER COSTS IN LIGHT OF LUMBER DUTIES:
According to the 2002 Solid Wood Products Annual Report (GAIN CA2146), post estimates that there will be increased softwood log production for 2002 and 2003 as Canadian firms increase production to lower units costs in order to stay profitable under U.S. duties on softwood lumber exports from Canada. While some firms have experienced layoffs, other companies have increased production to lower costs. For 2002, softwood lumber production is expected to total 69.0 million m^3, up more than six percent from 2001 levels. On the trade side, the U.S. remains the largest market accounting for more than 86% of Canadian exports of wood and wood products. However, the U.S. continues to make significant inroads into the Canadian market for hardwood logs. Canadian imports of hardwood logs from the U.S. are expected to reach a record 2.6 million m^3, up 21% over 2001 levels.

Japan was a distant second as a market for Canada, accounting for just under 8% of Canadian wood and wood product exports.

B.C. INCREASES CUT ON TREE FARM LICENCE 5 TO FIGHT PINE BEETLE: The allowable annual cut for Tree Farm Licence (TFL) 5 north of Quesnel, British Columbia has increased 144% to 300,000 cubic meters (m^3) in response to the mountain pine beetle infestation, announced B.C.'s deputy chief forester, Ken Baker, on January 23, 2003. "Forest health specialists estimate 1.5-1.6 million m^3 of lodgepole pine in the tree farm licence area could be lost to mountain pine beetle in the next three to five years," Baker said. "The increased allowable annual cut provides the flexibility needed to manage the infestation and to harvest timber while it still has economic value." TFL 5, also known as the Mackenzie-Cariboo tree farm licence, is held by Weldwood of Canada Ltd. and consists of 34,221 hectares along the Fraser River in the Quesnel forest district. Weldwood's priority is to harvest and process attacked stands before the mountain pine beetle larvae hatch and spread to neighboring trees. Ministry of Forests (MOF) staff will monitor the infestation, and will re-examine the determination before the usual five-year term if there is a major decline in the beetle population for any reason. Tree farm licences are area-based tenures issued under the Forest Act and give the licensee exclusive rights to manage Crown timber for sustained yield for 25 years. The licensee manages the area under the general supervision of the B.C. MOF and receives approval from the ministry for harvesting activities.

CANADIAN, U.S. UNIONS JOIN TO FIELD PLAN TO END SOFTWOOD LUMBER DISPUTE: According to a January 27, 2003 *Canadian Press* article, lumber-industry unions in Canada and the United States said Monday they have developed a proposal that could solve the lengthy softwood lumber dispute between the two countries. The proposal calls for the Canadian government to collect a graduated export tax on softwood that would fluctuate with the price of timber, said Dave Haggard, president of the Industrial, Wood and Allied Workers of Canada (IWA). It also calls for the creation of a bilateral panel that would work on developing new markets, and increase the size of the North American timber market, he said in a news release.
The plan is supported by thousands of workers from six union organizations including the AFL-CIO, Haggard said. He said the unions joined together to find a solutions because the industry is hurting in both Canada and the United States. The union proposal for a sliding border tax is similar to ones made in December by B.C. Forests Minister Mike de Jong and the forests company Weyerhaeuser.

CANADIANS CLAIM SOFTWOOD LUMBER DUTIES ARE BACKFIRING: In a January 30, 2003 article from the *Globe and Mail*, Canadian officials, in response to news that the U.S. Congress is considering doubling the duties on softwood lumber from 27% to 45%, seemed caught off guard by the development. Sebastien Theberge, Trade Minister Pierre Pettigrew's press secretary, suggested the U.S. lumber industry is worried and is "looking for ways to increase the price of wood because the duties have backfired." A large chunk of the Canadian industry, including producers in Quebec and Ontario, has so far shown little interest in U.S. calls for sweeping reforms of Canadian forest practices as the price of a deal. They have been pushing Canadian federal government to continue pursuing World Trade Organization and NAFTA challenges instead of settling out of court. The proposed U.S. legislation would correct what its sponsors characterized as accounting errors and misinterpretations of trade laws by the U.S. Commerce Department that have allowed Canadian companies to include the cost of countervailing duties in their business expenses. As a result, the Commerce Department is underestimating anti-dumping duties, which are also applied on Canadian lumber, they argue.
Complicating Canada's position is the contention of congressional and U.S. industry officials that the proposed law would merely bring U.S. duty policy into line with those of both Canada and the European Union. Mr. Theberge said Canadian officials are studying the bill to determine if it mirrors current Canadian policy. "The department is not ready to make that analysis," he said.

CLEARFIELD WHEAT RECEIVES REGISTRATION: According to the January 27, 2003 edition of *Agriline*, the first variety of CLEARFIELD wheat, a non-genetically modified (GM) variety which tolerates BASF's Adrenalin herbicide, has registration and will be available for the 2004 growing season. Names CDDC Imagine, the Canadian Western Red Spring (CWRS) variety was developed at the University of Saskatchewan's Crop Development Centre. Saskatchewan Wheat Pool and Agricore United will be the exclusive distributors of the seed.

CWB LOWERS 2002/03 WHEAT AND DURUM PRO VALUES: The Canadian Wheat Board (CWB) on January 23, 2003 released its monthly Pool Return Outlook (PRO) for the 2002/03 crop year. Wheat values range from C$10-16/tonne lower compared to the December PRO for 2002/03. Durum values range from C$5-11/tonne lower. Feed barley values are C$5/tonne lower while malting barley values are unchanged. To view the January 2003 PRO on the internet, visit:

http://www.cwb.ca/db/contracts/pool_return/pro.nsf/WebPRPub/2002_20030123.html

WHEAT TARIFF RATE QUOTA TO BE FILLED BY JANUARY 31, 2003: The Canadian Association of Importers and Exporters noted on January 23, 2003 that Customs Notice 494 addresses the filling of the wheat tariff rate quota. The Customs Notice covers commercial imports of wheat under heading number 10.01 in the List of Tariff Provisions set out in the schedule to the Customs Tariff, listed in item 161 of the Import Control List. Canadian importers of wheat are advised the wheat tariff rate quota for the period August 1, 2002, to July 31, 2003, will be filled on January 31, 2003. Consequently, January 31, 2003 (at midnight) will be the cut-off date to account for imports of all wheat classified under a "within access commitment" tariff item. Imports of wheat accounted for after January 31, 2003, and until July 31, 2003, must be classified under the applicable "over access commitment" tariff item. U.S. wheat exporters are exempt from "over access commitment" tariff rates and face the same rates of duty corresponding to "within access commitment" tariff items. This document is available on the CCRA Web site at the following address: http://www.ccra-adrc.gc.ca/E/pub/cm/cn494/README.html

CANADIAN DRY BEAN EXPORTS HELD UP AT MEXICAN BORDER: According January 28, 2003 coverage by *Good Morning Ontario*, Mexican farmers' concern with increasing imports from North American trading partners threatens to temporarily derail the southward surge of farm exports from Canada, buyers and shippers told Statcom.com. Canadian shipments of dry beans, are being held at the Nuevo Laredo border crossing, said Fernando Noriega, a broker with Dogale in Guadalajara, Mexico. Mexican farmers are worried increased imports from Canada and the United States will put them out of business. Farm groups, known as campesinos, have held mass protests against the 1994 North American Free Trade Agreement (NAFTA) , and have threatened to resume blocking borders and ports after Feb. 5, says statcom. Concerns about U.S. exports of black beans have inadvertently tied up Canadian shipments, said Marc Audet, a trader with Global Grain Canada Ltd. Audet found out Wednesday night that two railcars of beans, worth roughly C$24,000, would be held at the Mexican border for at least two weeks. "We basically have nothing to do with it, they just shut the border down for the importation of beans right now," Audet told Reuters. The value of Canadian agricultural exports to Mexico has jumped by 82% since 1996 to C$786 million. Major exports include canola, wheat, beef and pork, said Kim O'Neil, a senior Canadian embassy official in Mexico City.

RURAL LIBERAL MPS WANT HELP FOR ETHANOL FUEL PRODUCERS: The January 29, 2003 *Good Morning Ontario* reported that Canadian Liberal government Members of Parliament (MPs) from rural ridings are lobbying for a C$400-million ethanol fund in the February 2003 budget but Finance Minister John Manley is making no promises, reports Canadian Press. The fund would create new jobs at production plants and create new markets for farmers, Murray Calder, chairman of the Liberal rural caucus, told a news conference. "For our farming sector ... it creates a value-added market, increasing economic development in Canada's rural areas and expanding market opportunities." Manley was noncommittal when asked about the fund in the Commons. "I will be working very closely with my colleagues in order to ensure continue alternative energy sources to help us achieve our Kyoto targets," he said.

SIGN OR YOU'RE OUT OF LUCK, VANCLIEF TELLS PROVINCES: The January 29, 2003 edition of *Good Morning Ontario* reported that Agriculture and Agri-Food Minister Lyle Vanclief warned Canadian provinces that they had better sigh on to a proposed new farm policy or they will be shut out from any federal funding. Vanclief threw down a challenge on the controversial Agricultural Policy Framework (APF) on January 28. "If a province doesn't sign an implementing agreement," it won't get its share of funding, he said outside the Canadian House of Commons. But Vanclief sounded confident all provinces will sign the deal to launch the new farm program effective April 1, reported the *Canadian Press*. "I'm pretty sure on some of the issues in particular, we'll get an agreement." Some provinces have so far balked, saying the proposed deal isn't good enough for their farmers. That shows Ottawa isn't listening to farmers, who are being short-changed again, Saskatchewan New Democrat Party (NDP) MP agriculture critic Dick Proctor told the Canadian Press. "It's going to cost farmers more and they're effectively going to receive far less," said Proctor.

CANADIAN SPENDING ON AGRICULTURE: The January 23, 2003 *Agriline* reported that Canadian spending on agriculture lags both that of its NAFTA trading partners, according to an analyst with the Ontario Corn Producers Association (OCPA). OCPA analysis shows that Canada spends just 0.7% of Gross Domestic Product (GDP) on agriculture; Mexico, 1.1%; and the U.S., 1.7%. In 2001, Canada spent US$3 billion; Mexico, US$9 billion; and the U.S., US$65 billion.

KRISPY KREME ANNOUNCES EXPANSION INTO QUEBEC: Krispy Kreme Doughnuts, Inc. announced on

January 29, 2003 plans for its first store opening in Quebec. Targeting April 29 as the opening date, the doors will open and customers will be treated to Krispy Kreme's signature HOT Original Glazed doughnuts at Marché Central in Montreal. With this opening, the company celebrates its first Canadian store outside of Ontario, and its fifth in Canada. "We have been planning this expansion for a very long time," said Roly Morris, president and CEO of KREMEKO Inc., the exclusive Area Developer for Krispy Kreme in Ontario, Quebec and the four Atlantic Canada provinces. "We are absolutely thrilled to be introducing Krispy Kreme and the hot doughnut experience to the people of Quebec." The new Krispy Kreme location in Montreal will be able to produce more than 200 dozen doughnuts per hour. The store will feature a 24 hour drive-thru window, plenty of customer seating, and a glass viewing area so customers can watch their doughnuts being made from start to finish. Fifteen varieties of doughnuts will be offered, as well as Krispy Kreme's expanded beverage program, which includes four high-quality coffee blends, espresso-based drinks, and flavored milks.

Did You Know ...that lettuce (head, romaine, loose leaf) is the leading U.S. fresh vegetable export to Canada with sales in 2002 valued at about $180 million?

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2146	Solid Wood Products Annual	1/28/2003
CA3006	Snack Food Market In Canada	1/24/2003
CA3005	This Week in Canadian Agriculture, Issue 3	1/24/2003

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